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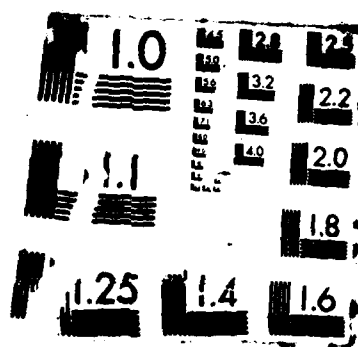
DEPARTMENT OF THE NAVY JUSTIFICATION OF ESTIMATES FOR
FISCAL YEAR 1988/1989 SUBMITTED TO CONGRESS NAU STOCK
FUND(U) OFFICE OF THE COMPTROLLER (NAVY) WASHINGTON DC
JAN 87

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JUSTIFICATION OF ESTIMATES
FOR FISCAL YEARS 1988 AND 1989



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DEPARTMENT OF THE NAVY
JUSTIFICATION OF ESTIMATES FOR FISCAL YEAR 1988 and 1989

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DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Appropriation Language

For the Navy Stock Fund; [\$352,570,000] \$404,400,000.

Further, for the Navy Stock Fund \$434,581,000 to become available for obligation on October 1, 1988. (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

[For the Marine Corps Stock Fund; \$822,000.] (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).)



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Navy Stock Fund
Program and Financing (in Thousands of dollars)

| Identification code | 17-4811-0-4-051 | 1986 actual | 1987 est. | 1988 est. | 1989 est. |
|--|--|-------------|------------|------------|------------|
| Program by activities: | | | | | |
| 01.0101 | Ships, ordnance and electronics repair parts | 452,267 | 447,300 | 449,300 | 452,300 |
| 01.0201 | Forms and printed matter | 15,520 | 18,000 | 18,800 | 18,900 |
| 01.0301 | Ships store and commissary store stock | 899,155 | 999,200 | 1,113,000 | 1,121,200 |
| 01.0401 | Profits from sale of ships' stores paid to ships store profits, Navy | 123,972 | 192,500 | 203,200 | 203,800 |
| 01.0501 | Shipboard subsistence | -173 | 1,000 | 1,000 | 1,000 |
| 01.0601 | Sale of material support office-retail commodities | 1,591,811 | 1,619,400 | 1,732,600 | 1,801,400 |
| 01.0701 | Fleet material support office-retail commodities | 730,390 | 778,000 | 771,200 | 837,700 |
| 01.0801 | Aviation consumable material | 1,744,534 | 1,801,600 | 1,511,100 | 1,531,500 |
| 01.0901 | Fuels and related items | 1,136,936 | 1,180,700 | 1,184,800 | 1,291,800 |
| 01.1001 | Ship depot level repairables | 2,778,649 | 1,883,700 | 2,037,000 | 2,047,000 |
| 01.1101 | Aviation depot level repairables | | | 23,669 | 17,105 |
| 01.1201 | Amphibious supplies | | | 129,177 | 145,636 |
| 01.1301 | Retail--All other (less fuel) | | | 25,984 | 25,984 |
| 01.1401 | Fuels and related items | | | 250,104 | 261,899 |
| 01.1501 | Subsistence--Commissary | | | | |
| 10.0001 | Total obligations | 9,493,914 | 8,749,100 | 9,470,211 | 9,813,200 |
| Financing: | | | | | |
| Offsetting collections from: | | | | | |
| 11.0001 | Federal funds(-) | -6,313,686 | -7,236,530 | -7,685,582 | -7,903,218 |
| 13.0001 | Trust funds(-) | -1,711,417 | -65,700 | -83,200 | -82,600 |
| 14.0001 | Non-Federal sources(-) | -1,019,917 | -1,094,300 | -1,337,029 | -1,412,801 |
| 39.0001 | Budget authority | 2,088,994 | 352,570 | 404,400 | 434,581 |
| 40.0001 | Budget authority: | | | | |
| 69.1001 | Appropriation | 607,213 | 352,570 | 404,400 | 434,581 |
| 69.1001 | Contract authority (Substantive law) [Statutory citation] | 1,481,681 | | | |
| Relation of obligations to outlays: | | | | | |
| 71.0001 | Obligations incurred, net | 2,088,994 | 352,570 | 404,400 | 434,581 |
| 72.4901 | Obligated balance, start of year: | | | | |
| 72.9801 | Contract authority | 4,134,189 | 5,615,870 | 5,615,870 | 5,657,172 |
| 72.9801 | Fund balance | 1,913,946 | 1,806,563 | 1,146,253 | 981,830 |
| | Obligated balance transferred, net: | | | | |
| 73.4901 | Contract Authority | | | 41,302 | |
| 73.9801 | Fund balance | | | 31,977 | |
| 74.4901 | Obligated balance, end of year: | -5,615,870 | -5,615,870 | -5,657,172 | -5,657,172 |
| 74.9801 | Contract authority | -1,806,583 | -1,146,253 | -981,830 | -984,411 |
| 74.9801 | Fund balance | | | | |
| 90.0001 | Outlays | 714,576 | 1,012,900 | 590,800 | 462,000 |

Marine Corps Stock Fund
Program and Financing (in thousands of dollars)

| Identification code | 17-4913-0-4-051 | 1986 actual | 1987 est. | 1988 est. | 1989 est. |
|--|-----------------|-------------|-----------|-----------|-----------|
| Program by activities: | | | | | |
| 01.0101 Amphibious supplies | | 14,073 | 17,362 | | |
| 01.0201 Retail--All other (less fuel) | | 113,021 | 102,218 | | |
| 01.0301 Fuels and related items | | 22,914 | 24,044 | | |
| 01.0401 Subsistence-commissary | | 221,211 | 233,346 | | |
| 10.0001 Total obligations | | 371,219 | 376,969 | | |
| Financing: | | | | | |
| Offsetting collections from: | | | | | |
| 11.0001 Federal funds(-) | | -162,788 | -202,634 | | |
| 13.0001 Trust funds(-) | | -170,219 | -173,313 | | |
| 14.0001 Non-Federal sources(-) | | 38,211 | 822 | | |
| 38.0001 Budget authority | | | | | |
| 40.0001 Budget authority: | | 35,853 | 822 | | |
| 69.1001 Contract authority | | 2,358 | | | |
| Contract authority (Substantive law) [Statutory citation] | | | | | |
| Relation of obligations to outlays: | | | | | |
| 71.0001 Obligations incurred, net | | 38,212 | 822 | | |
| 72.4901 Obligated balance, start of year: | | 38,944 | 41,302 | 41,302 | |
| 72.9801 Contract authority | | 80,072 | 52,155 | 31,977 | |
| 73.9801 Fund balance | | | | | |
| 73.4901 Obligated balance transferred, net: | | | | -41,302 | |
| 74.9801 Contract authority | | | | -31,977 | |
| 74.4901 Obligated balance, end of year: | | -41,302 | -41,302 | | |
| 74.9801 Contract authority | | -52,155 | -31,977 | | |
| 74.9801 Fund balance | | 43,771 | 21,000 | | |
| 90.0001 Outlays | | | | | |

Navy Stock Fund
Object Classification (in thousands of dollars)

| Identification code | 17-4911-0-4-051 | 1986 actual | 1987 est. | 1988 est. | 1989 est. |
|--|-----------------|-------------|-----------|-----------|-----------|
| Reimbursable obligations: | | | | | |
| 222.001 Transportation of things | | 31,525 | 53,400 | 61,100 | 61,300 |
| 225.004 Other services: | | | | | |
| 225.004 Other services: | | 1,358,282 | 1,510,900 | 1,502,100 | 1,584,200 |
| 225.001 Supplies and materials | | 8,082,474 | 7,162,100 | 7,884,111 | 8,174,700 |
| 242.001 Insurance claims and indemnities | | 21,653 | 22,700 | 22,900 | 23,000 |
| 259.001 Total Reimbursable obligations | | 9,493,914 | 8,748,100 | 9,470,211 | 9,813,200 |
| 999.901 Total obligations | | 9,493,914 | 8,748,100 | 9,470,211 | 9,813,200 |

Marine Corps Stock Fund
Object Classification (in thousands of dollars)

| Identification code | 17-4813-0-4-051 | 1986 actual | 1987 est. | 1988 est. | 1989 est. |
|--|-----------------|-------------|-----------|-----------|-----------|
| Reimbursable obligations: | | | | | |
| 226.001 Supplies and materials | | 371,219 | 376,969 | | |
| 299.001 Total Reimbursable obligations | | 371,219 | 376,969 | | |
| 999.901 Total obligations | | 371,219 | 376,969 | | |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Appropriated Funds Request

(In Thousands of Dollars)

| NAVY STOCK FUND | Program Requirement FY 1989 | Peacetime | War Reserves | Total |
|-----------------|-----------------------------------|-----------|--------------|-----------|
| | Program Requirement FY 1988 | \$366,565 | \$ 68,016 | \$434,581 |
| | Program Requirement FY 1987 | \$296,261 | \$108,139 | \$404,400 |
| | Program Requirement FY 1986 | \$353,392 | \$ -0- | \$353,392 |
| | Program Requirement FY 1985 | \$359,629 | \$283,437 | \$643,066 |

General Statement

The Navy Stock Fund is a revolving fund established to provide secondary item material support to Navy and Marine Corps combat forces and shore installations. The stock fund customers buy material using annual appropriated funds. These monies are then used by the stock fund to reinvest in material that is held in inventory to meet future customer demands. Beginning in FY 1983, Congress directed that inventory investment for support of new weapons systems, weapons systems with expanding populations and readiness or sustainability initiatives be financed by direct appropriations. This request supports that direction.

This submission reflects the consolidation of the Navy Stock Fund and the Marine Corps Stock Fund, previously two separate accounts, into a single Department of the Navy Stock Fund effective 1 October 1987.

The Navy manages both expense or consumable items and repairable items for ships and aircrafts in the stock fund. The Marine Corps manages consumable expense-type material and items of equipment primarily in support of the day-to-day operating requirements of Marine Corps posts, camps and stations. These material categories require two levels of inventory. The first level is Peacetime Operating Stock (POS) supporting annual training and maintenance requirements. This first level requires direct appropriation for inventory increases resulting from force modernization, force modification or readiness initiatives. War Reserve Material (WRM) is the second level of inventory and provides the increment above peacetime inventory required to sustain the wartime force until production can meet wartime consumption. The Navy Stock Fund WRM consists of two segments. The prepositioned segment is held in forward areas, aboard ship, or at places where it can be readily loaded to accompany troops to assure timely support of a designated force in the initial phase of a war or contingency. The second segment is to provide sustaining support and is commonly referred to as Other War Reserve Material (OWRM).

Incorporated in this request are the effects of the Secretary of Defense's Ten Point Program to increase competition and reduce the cost of spare parts. In August 1983, the Navy instituted Project BOSS (Buy Our Spares Smart), a multi-faceted program to improve the acquisition of spare parts. Project BOSS attacks all phases of who uses, purchases or controls material. The concepts encompassed by BOSS have changed the way the Navy buys spare parts. The Marine Corps has also implemented improved acquisition policies and procedures to increase competition and reduce the cost of spare parts. Savings resulting from these initiatives have been reflected in the stock fund request and customer budgets.

(In Thousands of Dollars)

| | | |
|-----------------------------|-------|-----------|
| Program Requirement FY 1989 | | \$366,565 |
| Program Requirement FY 1988 | | \$296,261 |
| Program Requirement FY 1987 | | \$353,392 |
| Program Requirement FY 1986 | | \$359,629 |

The Navy Stock Fund Peacetime Inventory Augmentation request identifies spare parts inventory growth to support new weapons systems/aircraft being introduced into the Fleet and Marine Corps, as well as modifications to existing aircraft and specific initiatives to improve fleet and Marine Corps readiness.

The FY 1988/1989 Navy Stock Fund budget request for Peacetime Inventory Augmentation would finance new repair parts inventories to support new weapons systems, aircraft and the combat capabilities of Marine Corps forces. The FY 1988 Department of the Navy investment in spare parts support for new hardware represents a 16.2 percent decrease over FY 1987, reflecting constrained resources. The requested repair parts funding is the minimum required to support new sophisticated weapons systems and aircraft hardware, and is vital to Navy and Marine Corps readiness and sustainability.

(In Millions of Dollars)

| | FY 1988 | | | FY 1989 | | |
|--------------------------|-----------|----------|--------------|-----------|----------|--------------|
| | Shipboard | Aviation | Marine Corps | Shipboard | Aviation | Marine Corps |
| Force Modernization | 141.8 | 103.4 | .3 | 163.0 | 153.2 | .4 |
| Force Modification | - | 11.3 | - | - | 9.4 | - |
| Readiness/Sustainability | 37.9 | - | 1.6 | 39.6 | - | 1.0 |
| Total Request | 179.7 | 114.7 | 1.9 | 202.6 | 162.6 | 1.4 |
| | | | 245.5 | | | 316.6 |
| | | | 11.3 | | | 9.4 |
| | | | 39.5 | | | 40.6 |
| | | | 296.3 | | | 366.6 |

The justification of the requested funds for Peacetime Inventory Augmentation in FY 1988 and FY 1989 follows:

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|-----------|
| Program Requirement FY 1989 | \$316,576 |
| Program Requirement FY 1988 | \$245,448 |
| Program Requirement FY 1987 | \$298,570 |
| Program Requirement FY 1986 | \$245,534 |

Force Modernization

The requirement for force modernization is to finance the acquisition of repair parts required for the establishment of initial levels of stockage at all echelons of inventory held by the Department of the Navy Stock Fund. It includes any initial stockage related to the introduction of a new aircraft, weapon system, assembly, or to support the introduction of additional units of end items above current force levels.

The cost of repair parts to support these weapons systems/aircraft is based on the total cost of the hardware and the number of installations of this hardware requiring support. A breakdown by weapon system and aircraft of the repair parts supporting the FY 1988/1989 program requirement follows:

Force Modernization (Shipboard)

(In Millions of Dollars)

Shipboard
Weapon System

Repair Parts Costs
FY 1988 FY 1989

| | | |
|---|------|------|
| Submarine Advanced Combat System (SUBACS) | 14.0 | 19.1 |
| Spares Support For TRIDENT Submarine Equipment | 12.3 | 14.7 |
| Fuel for New Oilers | 11.4 | - |
| Hull, Mechanical & Electrical, and Combat Support For New Ships | 8.7 | 13.3 |

Repair Parts Costs
FY 1988 FY 1989

Weapon System

| | | |
|--|-----|------|
| Advanced Capability (ADCAP) Torpedo | 7.1 | 10.3 |
| Spares Support For Nuclear Propulsion Equipment | 6.5 | 7.5 |
| Spares for Various Classified Programs | 4.9 | 3.6 |
| Gunfire Control Systems | 4.6 | 7.3 |
| Electrically Suspended Gyroscopic Navigation (ESGN) System | 4.5 | 7.5 |
| Deep Submergence Rescue Program | 4.1 | 7.1 |
| BQQ-5 Thin Line Towed Array Sonar For Submarines | 4.0 | 2.5 |
| MK-50 Torpedo | 3.6 | 2.7 |
| Vertical Launcher Weapon Control System For The Tomahawk Missile | 3.3 | 4.6 |
| UYK-1 Sonar Signal Processor | 3.0 | 2.7 |
| UYK-44 Shipboard Tactical Computer | 2.9 | 2.1 |
| MK-57 NATO Seasparrow Missile | 2.7 | - |
| Shipboard Sonar Systems | 2.2 | - |
| AN/SPS-48E Long Range Air Surveillance System | 2.0 | 3.4 |
| Very Low Frequency (VLF) Communications | 2.0 | 1.0 |
| AN/SLQ-32 Anti-Ship Missile Defense System | 2.0 | 1.8 |
| AN/SQS-53 Hull Mounted Sonar | 2.0 | 2.2 |

| | Repair Parts Costs | |
|---|--------------------|---------|
| | FY 1988 | FY 1989 |
| <u>Weapon System</u> | | |
| SQQ-32 Minehunting Sonar Set | 1.8 | 3.8 |
| MK-15 Phalanx Close-In-Weapon System (CIWS) | 1.8 | 0.7 |
| SQQ-89 Surface ASW Acoustic Processor/Display | 1.6 | - |
| Integrated Intercommunication Systems | 1.6 | - |
| TPS-65 Air Traffic Control Radar | 1.6 | - |
| CV-3591 Advanced Narrowband Digital Voice Terminal | 1.5 | 1.3 |
| SQR-17 Towed Array Sonar | 1.4 | - |
| AN/UUQ-21 Standard Data Display System | 1.3 | 1.5 |
| SPN-46 Automatic Carrier Landing System Radar | 1.3 | 1.4 |
| ALQ-141 Mine Surveillance and Sweeping | 1.3 | 2.0 |
| UYK-43 Large Scale Tactical Embedded Computer | 1.3 | 1.0 |
| Fast Time Analyzer System (FTAS) For Post-Flight S-3 Aircraft Information | 1.2 | - |
| NAVSTAR Satellite Navigation System | 1.1 | 2.4 |
| LSD-41 Class Support | 1.1 | 1.5 |
| Phased Maintenance for New Auxiliary and Amphibious Class Ships | 1.0 | 0.2 |
| AN/SPS-40 Air Search Radar | 1.0 | 0.4 |
| SSN-688 Class Support | 1.0 | 1.5 |

| | <u>Repair Parts Costs</u> | |
|---|---------------------------|----------------|
| | <u>FY 1988</u> | <u>FY 1989</u> |
| <u>Weapon System</u> | | |
| Radio Terminal Sets | 1.0 | 0.8 |
| UYH-3 Data Recorder And Reproducing Equipment | 1.0 | 1.1 |
| MK-74 Missile Control Unit | 1.0 | - |
| Relocatable Over The Horizon Radar | - | 15.3 |
| ALQ-166 Electronic Countermeasure | - | 4.1 |
| Low Dollar Shipboard Equipments | <u>8.1</u> | <u>10.6</u> |
| Total Navy Shipboard Force Modernization | 141.8 | 163.0 |

Force Modernization (Aviation)

(In Millions of Dollars)

| Aviation Weapon System | Repair Parts Cost | |
|-------------------------------------|-------------------|---------|
| | FY 1988 | FY 1989 |
| SH-608 | 25.6 | 1.9 |
| F/A-18 | 17.5 | 20.7 |
| AV-8 | 16.9 | 27.7 |
| SH-60F | 14.8 | 19.9 |
| AH-1 | 5.5 | 4.5 |
| CH-53 | 3.9 | 6.8 |
| A-6E | 3.7 | 0.2 |
| F-14D | 3.2 | 21.1 |
| A-6F | 2.5 | 11.2 |
| EA-6B | 2.2 | 7.1 |
| Support Equipment | 2.2 | 3.9 |
| C-2 | 2.2 | 4.4 |
| F-14A | 0.9 | 1.9 |
| HH-60 | 0.7 | 0.7 |
| E-2C | 0.7 | 7.3 |
| S-3A | 0.6 | - |
| Targets | 0.1 | 0.3 |
| Catapult & Arresting Gear | 0.1 | 0.3 |
| SH-3 | 0.1 | - |
| V-22 | - | 0.8 |
| CVN-72 Allowance for DLA Material | - | 12.5 |
| Total Aviation Force Modernization | 103.4 | 153.2 |
| Marine Corps Force Modernization 1/ | .3 | .4 |
| Total Force Modernization | 245.5 | 316.6 |

1/Examples of end items to be supported include: Ungun Weapons Station for the AAVP7A1; M923 5 Ton Cargo Truck; AN/TYQ-23 Tactical Air Operation Module; AN/TRD-10 Direction Finder; AN/MSC-63 Communication Central; and MK 154 Launcher Mine Clearing System.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|----------|
| Program Requirement FY 1989 | \$ 9,400 |
| Program Requirement FY 1988 | \$11,300 |
| Program Requirement FY 1987 | \$12,000 |
| Program Requirement FY 1986 | \$29,195 |

Force Modification

Force modification requirements are necessary to finance the acquisition of repair parts to provide increases in inventory held by the Department of the Navy Stock Fund in support of programmed modifications to existing aircraft. Installation of new weapons systems aboard existing ships is included in the Force Modernization section.

The aircraft modification requirement represents the investment in repair parts to support the modifications described in the Aircraft Procurement, Navy (APN) appropriation request.

Breakout of the force modification requirements in the FY 1988/1989 program follows:

Force Modification (Aviation)

(In Millions of Dollars)

Repair Parts Cost

| <u>FY 1988</u> | <u>FY 1989</u> |
|----------------|----------------|
|----------------|----------------|

Aircraft Modifications

| | |
|------|-----|
| 11.3 | 9.4 |
|------|-----|

Total Force Modifications

| | |
|------|-----|
| 11.3 | 9.4 |
|------|-----|

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Thousands of Dollars)

| | | |
|-----------------------------|-------|----------|
| Program Requirement FY 1989 | | \$40,589 |
| Program Requirement FY 1988 | | \$39,513 |
| Program Requirement FY 1987 | | \$42,822 |
| Program Requirement FY 1986 | | \$84,900 |

Readiness and Sustainability

The requirement for readiness and sustainability is to finance the acquisition of repair parts which increase current levels at any echelon of inventory held by the Department of the Navy Stock Fund for the purpose of increasing material readiness or sustainability. Initiatives include increased material stockage to improve approved, identifiable and quantifiable readiness indicators such as stock availability, operational availability, backorder rates, mission capable rates, casualty reports, etc.

A list of the readiness and sustainability initiatives requested in the FY 1988/1989 program follows:

Readiness and Sustainability

(In Millions of Dollars)

| | Repair Parts Cost FY 1988 | FY 1989 |
|--|------------------------------|---------|
|--|------------------------------|---------|

| | | |
|--|------|---|
| TRIDENT Training Facility - Provides for initial levels of inventory at the new TRIDENT submarine activity at Kings Bay, GA. | 12.3 | - |
|--|------|---|

Consolidated Shorebased Allowance List (COSBAL) - Provides spare parts aboard Naval Air Stations and Communications Stations to support critical Air Traffic Control and communication equipment aboard these shore activities.

| | | |
|--|-----|------|
| | 9.6 | 21.1 |
|--|-----|------|

Operational Support Inventory - Provides intermediate levels at waterfront supply activities to support newly homeported ships in the Bremerton and Gulf Coast areas.

| | | |
|--|-----|---|
| | 7.3 | - |
|--|-----|---|

TRIDENT Protection Levels - Provides increased levels of stock to support TRIDENT submarines in order to achieve the increased availability required for this critical strategic weapons system.

| | | |
|--|-----|---|
| | 5.0 | - |
|--|-----|---|

Repair Parts Cost
FY 1988 FY 1989

| | | |
|--|-------------|-------------|
| Numeric Stockage Objective - Provides stockage of a minimum replacement unit for items not previously stocked which have experienced a failure in a critical weapon system. | 3.7 | 3.8 |
| PHALANX Rotatable Pool - Provides a pool of components at the Depots repairing the Close-in-Weapons System (CIWS), thereby eliminating concurrent rework, improving support and reducing repair turn-around-time for this critical weapons system. | - | 14.7 |
| Marine Corps - Provide support to customer decisions to modernize the operating environment (e.g., office automation, installation of a new telephone system, new and more complex equipment, facilities upgrade efforts), and by completed Military Construction projects. Examples of types of equipment to be funded include transformers, generators, fuses, copper tubing, batteries, cables and carburetors. Additionally, in FY 1988 funds are requested to support plans for the incorporation of a subsistence section within the Direct Support Stock Control (DSSC) at Marine Corps Base, Camp Butler, Japan. | 1.6 | 1.0 |
| Total | <u>39.3</u> | <u>40.6</u> |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

| | | |
|-----------------------------|-------|-----------|
| Program Requirement FY 1989 | | \$ 68,016 |
| Program Requirement FY 1988 | | \$108,139 |
| Program Requirement FY 1987 | | \$ -0- |
| Program Requirement FY 1986 | | \$283,437 |

Narrative Statement

The Navy Stock Fund provides for the procurement of War Reserve Material (WRM) stocks which will be held in inventory until such time as the stocks are issued to support and sustain operational force wartime requirements. Funding is provided by direct appropriation. Management of the overall stock fund program is facilitated by collecting all stock fund WRM requirements in a single appropriation. Stock Fund Categories are as follows:

- a. Shipboard Material --- Consumable and depot level repairable ship, submarine, shore based, electronic and ordnance equipment, and subassembly components and repair parts.
- b. Retail Supplies --- Consumable items used by Navy activities but managed by other service activities. The types of material include parts peculiar to combat and tactical vehicles managed by Army, aircraft material managed by the Air Force and clothing and textiles, construction, general, electronic and industrial material and subsistence managed by the Defense Logistics Agency.
- c. Aeronautical Material --- Consumable and depot level repairable aeronautical, photographic and catapult and arresting gear components, subassemblies and repair parts.
- d. Forms and Printed Matter --- Printed matter including forms, directives, placards, publications and manuals.
- e. Amphibious Supplies --- Marine Corps managed consumable/expendable items for support of the combat forces.
- f. Retail - All Other (Less Fuel) --- Other Integrated Material Manager (IMM) consumable/expendable items for support of Marine Corps combat forces. Includes prepositioned fuel bars to heat combat rations.
- g. Subsistence/Commissary --- Prepositioned Meals Ready to Eat (MREs), i.e., combat rations and food supplements to sustain Marine Corps combat forces.

The justification of the requested funds for war reserves in FY 1988 and FY 1989 follows:

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
WAR RESERVES - SECONDARY ITEMS

(In Thousands of Dollars)

| | FY 1986 <u>ACTUAL</u> | FY 1987 <u>ESTIMATE</u> | FY 1988 <u>ESTIMATE</u> | FY 1989 <u>ESTIMATE</u> |
|--|--------------------------|----------------------------|----------------------------|----------------------------|
| Fleet Marine Airwing Forces Support | 56,500 | 0 | 0 | 0 |
| Fleet Support | 125,826 | 0 | 69,989 | 19,958 |
| Advanced Base Functional Component | 62,633 | 0 | 7,142 | 10,021 |
| Fleet Hospital Element | 3,000 | 0 | 0 | 0 |
| Marine Corps Equipment Support and Allowance Items | 21,187 | 0 | 21,616 | 29,701 |
| Marine Corps Clothing and Textiles | 9,063 | 0 | 7,157 | 5,623 |
| Marine Corps Subsistence/Commissary | <u>5,228</u> | <u>0</u> | <u>2,235</u> | <u>2,713</u> |
| Totals | 283,437 | 0 | 108,139 | 68,016 |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|----------|
| Program Requirement FY 1989 | \$ 0 |
| Program Requirement FY 1988 | \$ 0 |
| Program Requirement FY 1987 | \$ 0 |
| Program Requirement FY 1986 | \$56,500 |

Fleet Marine Airwing Forces Support

These funds provide for Navy support for Fleet Marine Force Atlantic, Fleet Marine Force Pacific and the Fourth Division/Air Wing team which must be ready to deploy on extremely short notice. The material will be held at ports of embarkation from which the units are scheduled to deploy. All of the material accompanies the unit and is needed for support during the initial outbreak of hostilities. No FY 1988 and FY 1989 funds are requested.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|-----------|
| Program Requirement FY 1989 | \$ 19,958 |
| Program Requirement FY 1988 | \$ 69,989 |
| Program Requirement FY 1987 | \$ 0 |
| Program Requirement FY 1986 | \$125,826 |

Fleet Support

This Navy War Reserve Project provides additional secondary items required to meet higher wartime demand rates in support of approved forces such as training sites, industrial activities, and sustainability of support forces. It also includes non-demand based material used only in wartime such as battle damage material. FY 1988 and FY 1989 funds are requested as follows:

| | | |
|-----------------------|-----------------|-----------------|
| | <u>FY 1988</u> | <u>FY 1989</u> |
| Shipboard material | \$18,500 | \$ 5,942 |
| Aeronautical material | \$38,789 | \$ 9,019 |
| Retail supplies | <u>\$12,700</u> | <u>\$ 4,997</u> |
| | \$69,989 | \$19,958 |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|----------|
| Program Requirement FY 1989 | \$10,021 |
| Program Requirement FY 1988 | \$ 7,142 |
| Program Requirement FY 1987 | \$ 0 |
| Program Requirement FY 1986 | \$62,633 |

Advanced Base Functional Component (ABFC)
Operation Plan (OPLAN) Support

This program provides for forward base support to Naval forces during contingencies and wartime. The FY 1988 and FY 1989 funding is for outfitting Advanced Based Functional Components for P-3 Aircraft Maintenance Vans. FY 1988 and FY 1989 funds are requested as follows:

| | <u>FY 1988</u> | <u>FY 1989</u> |
|-----------------------|----------------|----------------|
| Shipboard material | \$ 0 | \$ 58 |
| Retail supplies | \$ 0 | \$ 1,203 |
| Aeronautical Material | \$ 7,142 | \$ 8,760 |
| Total | \$ 7,142 | \$10,021 |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

| | | | |
|-----------------------------|-------|----|---------|
| Program Requirement FY 1989 | | \$ | 0 |
| Program Requirement FY 1988 | | \$ | 0 |
| Program Requirement FY 1987 | | \$ | 0 |
| Program Requirement FY 1986 | | \$ | \$3,000 |

Fleet Hospital Element

This material consists of expendable medical supplies to outfit hospitals in the combat area. No funds are requested in FY 1988 and FY 1989.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

| | | |
|-----------------------------|-------|----------|
| Program Requirement FY 1989 | | \$29,701 |
| Program Requirement FY 1988 | | \$21,616 |
| Program Requirement FY 1987 | | \$ 0 |
| Program Requirement FY 1986 | | \$21,187 |

Marine Corps Equipment Support and Allowance Items

Funding for Amphibious Supplies and Retail-All Other (Less Fuel) War Reserve Material will provide for the procurement of expense type items in support of Marine Corps tactical motor vehicles and weapons; combat field fortifications and other engineer equipment; communications and electronics equipment; and general property material required to sustain the combat forces. In addition, in FY 1988 and FY 1989 funds are requested for the financing of fuel bars to sustain the combat forces.

The requirements for Marine Corps War Reserve Material are developed in two areas: equipment support (consumable spares) and allowance items. The combat consumption requirement for consumable spares are developed by applying tempered current usage data to the increase in the number of equipment involved in combat. Requirements for allowance items are developed by use of approved allowance lists offset by the quantities held by the operating forces. Combat sustainability is also calculated for combat essential allowance items. Examples of the types of equipment support and allowance items to be funded include: bayonet knife with scabbard; combat knife; mortar with case; pyrotechnic pistol without mount; barbed wire; sand bag; unmounted magnetic compass; chemical detector set; battery charger; radiac computer indicator; gasoline can; first aid kits; military water cans; water purification tablet; etc. There are literally thousands of individual, expense type items which must be provided to sustain the combat forces. The requirement for fuel bars is based on the consumption of Meals Ready to Eat in support of the combat forces.

The requested funds will provide an incremental increase in War Reserve Material to support the effective accomplishment of the Marine Corps' combat mission.

Funds are requested as follows:

| | FY 1988 | FY 1989 |
|-------------------|-----------------|-----------------|
| Equipment Support | \$ 6,011 | \$12,653 |
| Allowance Items | \$15,459 | \$16,870 |
| Fuel Bars | \$ 146 | \$ 178 |
| Total | <u>\$21,616</u> | <u>\$29,701</u> |

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|----------|
| Program Requirement FY 1989 | \$ 5,623 |
| Program Requirement FY 1988 | \$ 7,157 |
| Program Requirement FY 1987 | \$ 0 |
| Program Requirement FY 1986 | \$ 9,063 |

Marine Corps Clothing and Textiles

Clothing and Textiles are Marine Corps allowance items and are funded under the Amphibious Supplies and Retail-All Other (Less Fuel) Divisions. Funding provides for the procurement of expense-type clothing and textiles items.

Examples of allowance-type items in this commodity area are individual clothing; organizational equipment; and environmental clothing and equipment. Combat sustainability for combat essential items is additive to the requirement.

The requested funds will provide an incremental improvement in items necessary to outfit and sustain Marine Corps combat forces.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

| | |
|-----------------------------------|----------|
| Program Requirement FY 1989 | \$ 2,713 |
| Program Requirement FY 1988 | \$ 2,235 |
| Program Requirement FY 1987 | \$ 0 |
| Program Requirement FY 1986 | \$ 5,228 |

Marine Corps Subsistence/Commissary

Funding in the Subsistence/Commissary Division provides for the procurement of Meals Ready to Eat (MREs) i.e., combat rations, and food supplements to sustain Marine Corps combat forces.

The inventory objective for Meals Ready to Eat is based on the requirement to preposition Meals Ready to Eat in support of the Land Prepositioning (Norway) program to sustain the combat forces. The requirement for food supplements is based on a determination by medical personnel of caloric needs for health maintenance in an arctic environment.

There is a bilateral Memorandum of Understanding (MOU) between the government of Norway and the U.S. Government which allows for the prepositioning of 30 days of supply, including Class I (Subsistence) and selected items of equipment, to support a Marine Amphibious Brigade (MAB). Norway prepositioning supports the timely reinforcement of NATO's northern flank by a MAB fly-in echelon. Stock Fund support is limited to the 30 days of rations [and fuel bars] and the high protein food supplements required to be in place for the MAB. The funds requested are necessary to permit placement of the MREs and food supplements in Norway as scheduled.

DEPARTMENT OF THE NAVY
War Reserves - Secondary Items

(In Millions of Dollars)

| Category | Stock Funded | | | | Procurement Funded | | | | Total | | | |
|---------------------------------|--------------|-------|--------|--------|--------------------|-------|-------|-------|-------|-------|--------|--------|
| | FY 86 | FY 87 | FY 88 | FY 89 | FY 86 | FY 87 | FY 88 | FY 89 | FY 86 | FY 87 | FY 88 | FY 89 |
| <u>Shipboard Material</u> | | | | | | | | | | | | |
| Requirment | 670.4 | 584.7 | 615.4 | 680.2 | - | - | - | - | 670.4 | 584.7 | 615.4 | 680.2 |
| Applicable Assets | 284.6 | 280.7 | 274.9 | 311.2 | - | - | - | - | 284.6 | 280.7 | 274.9 | 311.2 |
| Funding Requested | 74.1 | .0 | 18.5 | 6.0 | - | - | - | - | 74.1 | .0 | 18.5 | 6.0 |
| <u>Aeronautical Material</u> | | | | | | | | | | | | |
| Requirment | 781.0 | 967.0 | 1023.9 | 1155.1 | 4.0 | 5.3 | 5.6 | 5.6 | 785.0 | 972.3 | 1029.5 | 1160.7 |
| Applicable Assets | 319.6 | 470.0 | 482.0 | 554.4 | .5 | .5 | 4.0 | 4.0 | 320.1 | 470.5 | 486.0 | 558.4 |
| Funding Requested | 88.0 | .0 | 45.9 | 17.8 | .0 | 3.5 | .0 | .0 | 88.0 | 3.5 | 45.9 | 17.8 |
| <u>Retail Supplies</u> | | | | | | | | | | | | |
| Requirment | 527.0 | 521.0 | 540.1 | 566.5 | - | - | - | - | 527.0 | 521.0 | 540.1 | 566.5 |
| Applicable Assets | 199.4 | 248.1 | 255.7 | 275.3 | - | - | - | - | 199.4 | 248.1 | 255.7 | 275.3 |
| Funding Requested | 85.9 | .0 | 12.7 | 6.2 | - | - | - | - | 85.9 | .0 | 12.7 | 6.2 |
| <u>Forms and Printed Matter</u> | | | | | | | | | | | | |
| Requirment | .5 | .5 | .5 | .5 | - | - | - | - | .5 | .5 | .5 | .5 |
| Applicable Assets | .5 | .5 | .5 | .5 | - | - | - | - | .5 | .5 | .5 | .5 |
| Funding Requested | - | - | - | - | - | - | - | - | - | - | - | - |
| <u>Amphibious Supplies</u> | | | | | | | | | | | | |
| Requirment | 26.3 | 27.4 | 28.4 | 29.5 | - | - | - | - | 26.3 | 27.4 | 28.4 | 29.5 |
| Applicable Assets | 11.8 | 17.4 | 18.1 | 25.6 | - | - | - | - | 11.8 | 17.4 | 18.1 | 25.6 |
| Funding Requested | 5.0 | - | 6.6 | - | - | - | - | - | 5.0 | - | 6.6 | - |

| <u>Category</u> | <u>Stock Funded</u> | | | <u>Procurement Funded</u> | | | <u>Total</u> | | |
|--|---------------------|--------------|--------------|---------------------------|--------------|--------------|--------------|--------------|--------------|
| | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> | <u>FY 89</u> | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> | <u>FY 89</u> | <u>FY 89</u> |
| <u>Retail-All Other</u> <u>Less Fuel)</u> | | | | | | | | | |
| Requirement | 288.3 | 299.8 | 311.3 | 322.4 | - | - | - | - | 322.4 |
| Applicable Assets | 110.1 | 140.5 | 146.0 | 180.9 | - | - | - | - | 180.9 |
| Funding Requested | 25.3 | - | 22.2 | 35.3 | - | - | - | - | 35.3 |
| <u>Subsistence/Commissary</u> | | | | | | | | | |
| Requirement | 20.8 | 19.2 | 20.0 | 20.7 | - | - | - | - | 20.7 |
| Applicable Assets | 10.6 | 14.3 | 15.1 | 18.0 | - | - | - | - | 18.0 |
| Funding Requested | 5.2 | - | 2.2 | 2.7 | - | - | - | - | 2.7 |
| <u>Total</u> | | | | | | | | | |
| Requirement | 2314.3 | 2419.6 | 2539.9 | 2774.9 | 4.0 | 5.3 | 4.6 | 5.6 | 2780.5 |
| Applicable Assets | 936.6 | 1171.5 | 1192.3 | 1365.9 | .5 | .5 | 4.0 | 4.0 | 1369.9 |
| Funding Requested | 283.5 | - | 108.1 | 68.0 | - | 3.5 | - | - | 68.0 |

NAVY STOCK FUND SUMMARY

FY 1987

(Dollars in Millions)

| 1. Division/Budget Program | Net Customer Orders | 1/ Net Sales | Operations | Inventory Augmentation | Mobilization | Total Obligations |
|----------------------------|---------------------|--------------|------------|------------------------|--------------|-------------------|
| Ship Consumables | 441.2 | 442.2 | 427.4 | 19.9 | - | 447.3 |
| Publications and Forms | 14.3 | 14.3 | 18.0 | - | - | 18.0 |
| Ship/Commissary Stores | 1009.6 | 1009.6 | 1021.9 | - | - | 1021.9 |
| Ship Overhaul Material | 152.8 | 152.8 | 197.5 | - | - | 197.5 |
| Special Clearance Acct | (701.1) | (701.1) | 1.0 | - | - | 1.0 |
| Retail Supplies | 1456.5 | 1495.7 | 1618.1 | 1.3 | - | 1619.4 |
| Aviation Consumables | 854.9 | 865.8 | 725.3 | 52.7 | - | 778.0 |
| Fuel | 1593.1 | 1593.1 | 1580.2 | 21.4 | - | 1601.6 |
| Ship Depot Repairables | 960.1 | 962.0 | 1011.7 | 169.0 | - | 1180.7 |
| Aviation Depot Repairables | 2388.2 | 2387.3 | 1795.4 | 88.3 | - | 1883.7 |
| Total | 8169.6 | 8221.7 | 8396.5 | 352.6 | - | 8749.1 |

2. Narrative Explanation: Total Navy obligations have been reduced by over \$2 billion from initial estimates to reflect Congressional actions on the FY 1987 President's Budget. Lower program related requirements, reduced projected demand and management efficiencies will minimize the cost of spares and improve the utilization of existing inventories. Considering the negative impact of the refund on sales (\$702.1 million), operations obligations are significantly below sales reflecting a net reduction in operations assets and evidence that obligations reflect sales replacement only.

3. Significant Initiatives: Permanent increases to inventory for readiness initiatives were delineated in the FY 1987 President's Budget and financed by Inventory Augmentation funds. There are no significant operations initiatives. Operations obligations are required to finance sales replacement and levels associated with projected future demand.

4. Price Stabilization Rate Changes and Narrative Explanation: The price stabilization rate change executed in FY 1987 was a negative 0.5 percent which was the same rate presented in the FY 1987 President's Budget.

1/ Includes refund of \$702.1 million.

5. Projected Outlays and Narrative Explanations:

Projected outlays by category are:

| | |
|------------------------|---------------|
| Operations | 495.8 |
| Inventory Augmentation | 412.7 |
| Mobilization | 104.4 |
| Total Outlays | <u>1012.9</u> |

In the Navy Stock Fund, outlays are the difference between expenditures (outflow of cash) and collections (inflow of cash). Expenditures are projected based upon the average time period between the obligation of funds and the expenditure/liquidation of the obligation. Projections are done individually for each Navy Stock Fund Budget Project and by obligation category (Operations, Inventory Augmentation and Mobilization) within each Budget Project. Collections (income from the sale of material) projections also are estimated individually for each Navy Stock Fund Budget Project. These projections are based upon prior year material sales/income, planned sales to satisfy scheduled ship and aircraft initial material outfitting requirements, and Department of Defense pricing guidance, insuring that customer budgets and Stock Fund prices are in balance. Since Operations obligational authority is used to finance all material replenishment and planned outfittings, income generated from sales of material are collections to the Operations category of the fund.

Included in the Operations outlay projection above is a refund of Navy Stock Fund cash to customer appropriations in accordance with the approved FY 1987 budget. This refund totals \$702.1 million and is reflected in the Special Clearance Account Budget Project. The refund will be provided to the following appropriations:

| | |
|-------------------|--------------|
| O&M, Navy | 524.2 |
| O&M, Navy Reserve | 66.5 |
| O&M, Army | 66.9 |
| O&M, Air Force | <u>44.5</u> |
| | <u>702.1</u> |

MARINE CORPS STOCK FUND SUMMARY
FY 1987
(Dollars in Millions)

| <u>1. Division/Budget Program</u> | <u>Net Customer Orders</u> | <u>1/ Net Sales</u> | <u>Operations</u> | <u>Inventory Augmentation</u> | <u>Mobilization</u> | <u>Total Obligations</u> |
|-----------------------------------|----------------------------|---------------------|-------------------|-------------------------------|---------------------|--------------------------|
| Amphibious Supplies | 18.1 | 19.3 | 17.4 | - | - | 17.4 |
| Retail-All Other (less Fuel) | 105.1 | 105.1 | 101.4 | .8 | - | 102.2 |
| Fuel | 24.3 | 24.3 | 24.0 | - | - | 24.0 |
| Subsistence/Commissary | 233.3 | 233.3 | 233.3 | - | - | 233.3 |
| Total | 380.8 | 382.0 | 376.1 | .8 | - | 376.9 |

2. Narrative Explanation: There are no significant changes to total obligations in FY 1987.

3. Significant Initiatives: There are no significant initiatives in the Marine Corps Stock Fund for FY 1987.

4. Price Stabilization Rate Changes and Narrative Explanation: The percent change in customer prices contained in the Marine Corps Stock Fund Budget is as follows:

FY 1987

+98.0 percent

The +98.0 percent rate change in FY 1987 (relative to FY 1986) reflected Department of Defense policy in relation to price stabilization; the Price Stabilization Surcharge (PSS) included in customer prices was designed not only to recover anticipated inflation but also to maintain the prescribed cash position of the fund.

5. Projected Outlays and Narrative Explanation by the following categories:

FY 1987

| | |
|--------------------------|-------|
| - Operations | - .8 |
| - Inventory Augmentation | +1.0 |
| - Mobilization | +20.8 |
| Total Outlays | +21.0 |

Operations. Outlays in the Operations category are a function of the collection/disbursement relationship which in turn relates to the planned programs for sales and obligations in FY 1987. Collections phase closely with sales. Disbursements are calculated based upon historical expenditure rates for current and prior year obligations adjusted for known program impacts where appropriate.

Inventory Augmentation. Outlays are calculated based primarily upon historical expenditure rates for current and prior year obligations.

Mobilization. Outlays are calculated based primarily upon historical expenditure rates for current and prior year mobilization obligations.

NAVY STOCK FUND SUMMARY
FY 1988
(Dollars in Millions)

| 1. Division/Budget Program | Net Customer Orders | 1/ Net Sales | Operations | Inventory Augmen- tation | Mobili- zation | Total Oblif- gations |
|------------------------------|---------------------------|--------------------|------------|--------------------------------|-------------------|----------------------------|
| Ship Consumables | 414.0 | 422.2 | 433.0 | 14.8 | 1.5 | 449.3 |
| Publications and Forms | 14.8 | 14.8 | 18.8 | - | - | 18.8 |
| Ship/Commissary Stores | 1070.0 | 1070.0 | 1135.9 | - | - | 1135.9 |
| Ship Overhaul Material | 166.4 | 166.4 | 202.2 | - | - | 202.2 |
| Special Clearance Acct | (78.0) | (78.0) | 1.0 | - | - | 1.0 |
| Retail Supplies | 1527.7 | 1526.2 | 1693.8 | 26.3 | 12.7 | 1732.8 |
| Aviation Consumables | 808.7 | 825.4 | 728.8 | 39.4 | 3.0 | 771.2 |
| Fuel | 1507.9 | 1507.9 | 1499.7 | 11.4 | - | 1511.1 |
| Ship Depot Repairables | 966.8 | 982.9 | 1040.6 | 127.7 | 17.0 | 1184.8 |
| Aviation Depot Repairables | 2663.0 | 2717.6 | 1918.8 | 75.3 | 42.9 | 2037.0 |
| Amphibious Supplies | 17.6 | 19.1 | 17.0 | .3 | 6.6 | 23.9 |
| Retail-All Other (Less Fuel) | 106.9 | 106.9 | 106.0 | 1.0 | 22.2 | 129.2 |
| Fuel | 22.9 | 22.9 | 23.0 | - | - | 23.0 |
| Subsistence/Commissary | 247.5 | 247.5 | 247.2 | .6 | 2.2 | 250.0 |
| Total | 9456.2 | 9551.8 | 9065.8 | 296.3 | 108.1 | 9470.2 |

2. Narrative Explanation: The submission reflects the consolidation of the Navy Stock Fund and the Marine Corps Stock Fund, previously two separate accounts, into a single Department of the Navy Stock Fund effective in FY 1988. Total obligations increase slightly over FY 1987 due to a corresponding increase in projected demand and the consolidation of the Navy and Marine Corps Stock Funds. Operations obligations are less than sales, reflecting a net reduction in assets and a continuation of the management initiatives to reduce spares costs and maximize available resources. Thus, the projected obligations are the minimal required to meet current and projected demand.

3. Significant Initiatives: Inventory Augmentation initiatives are delineated in the Readiness and Sustainability section. Operations obligations are required to finance sales replacement and levels associated with projected demand only.

1/ Includes refund of \$79.0 million.

4. Price Stabilization Rate Changes and Narrative Explanation: The price stabilization rate change presented in FY 1988 is a negative 6.5 percent from FY 1987. This rate change will draw down Navy Stock Fund Operations cash. This cash draw down reflects Navy's continuing management efficiencies to lower the procurement cost of spare parts as well as to improve the utilization of existing inventories and, therefore, reduce the outflow of cash from the Fund. This price change is reflected in all customer accounts.

5. Projected Outlays and Narrative Explanations:

Projected outlays by category are:

| | |
|------------------------|--------------|
| Operations | 63.3 |
| Inventory Augmentation | 371.5 |
| Mobilization | 156.0 |
| Total Outlays | <u>590.8</u> |

Included in the Operations outlay projection above is a refund of \$79.0 million to customer appropriations of Navy Stock Fund cash.

The major reason for the reduction in Operations outlays from FY 1987 is the \$623.1 million lower refund value in FY 1988 (\$79.0 million) as compared to FY 1987 (\$702.1 million). This reduction is partially offset by an approximate \$200 million increase in outlays for aviation repairable material. This increase is attributable to the expenditures associated with the initial procurement of items upon commencement of Navy's test to finance Aviation Depot Repairables in the Navy Stock Fund on 1 April 1985. A large portion of the FY 1985 procurements will deliver and expend in FY 1988.

The reduction in Inventory Augmentation outlays from FY 1987 to FY 1988 reflects the lower Inventory Augmentation obligations executed in FY 1986 versus FY 1985 for ship and aviation consumable and depot repairable material (considering the average two year leadtime of this material). In FY 1985 \$533.5 million of Inventory Augmentation requirements were obligated, while only \$359.6 million was obligated in FY 1986. Thus, the lower outlays are the direct result of lower prior year obligations.

NAVY STOCK FUND SUMMARY

FY 1989

(Dollars in Millions)

| 1. Division/Budget Program | Net Customer Orders | 1/ Net Sales | Operations | Inventory Augmen- tation | Mobility | Total Obliga- tions |
|------------------------------|---------------------------|--------------------|------------|--------------------------------|----------|---------------------------|
| Ship Consumables | 416.2 | 404.0 | 463.6 | 17.7 | 1.0 | 482.3 |
| Publications and Forms | 15.2 | 15.2 | 18.9 | - | - | 18.9 |
| Ship/Commissary Stores | 1136.4 | 1136.4 | 1144.2 | - | - | 1144.2 |
| Ship Overhaul Material | 180.6 | 180.6 | 209.6 | - | - | 209.6 |
| Special Clearance Acct | 1.0 | 1.0 | 1.0 | - | - | 1.0 |
| Retail Supplies | 1600.2 | 1598.9 | 1779.0 | 16.2 | 6.2 | 1801.4 |
| Aviation Consumables | 782.9 | 780.4 | 777.3 | 55.1 | 5.3 | 837.7 |
| Fuel | 1513.3 | 1513.3 | 1508.0 | 23.5 | - | 1531.5 |
| Ship Depot Repairables | 887.8 | 863.8 | 1129.1 | 157.7 | 5.0 | 1291.8 |
| Aviation Depot Repairables | 2507.2 | 2526.8 | 1939.5 | 95.0 | 12.5 | 2047.0 |
| Amphibious Supplies | 17.6 | 19.1 | 16.7 | .4 | - | 17.1 |
| Retail-All Other (Less Fuel) | 108.9 | 108.9 | 109.3 | 1.0 | 35.3 | 145.6 |
| Fuel | 23.1 | 23.1 | 23.2 | - | - | 23.2 |
| Subsistence/Commissary | 259.2 | 259.2 | 259.2 | - | 2.7 | 261.9 |
| Total | 9449.6 | 9430.7 | 9378.6 | 366.6 | 78.0 | 9813.2 |

- Narrative Explanation: Total obligations increase slightly over FY 1988 due to a corresponding increase in projected current and future demand. Operations Obligations, which are less than sales, are required to replace items sold, thereby maintaining inventory levels and effective support.
- Significant Initiative: Inventory Augmentation initiatives are delineated in the Readiness and Sustainability section. Operations obligations are required to finance only sales replacement and levels associated with projected demand.
- Price Stabilization Rate Changes and Narrative Explanation: The price stabilization rate change presented in FY 1989 is a negative 4.2 percent from FY 1988. This rate change will draw down Navy Stock Fund Operations cash and is reflected in all customer accounts.

5. Projected Outlays and Narrative Explanations:

Projected outlays by category are:

| | |
|------------------------|--------------|
| Operations | 3.8 |
| Inventory Augmentation | 385.7 |
| Mobilization | 72.5 |
| Total Outlays | <u>462.0</u> |

The reduction in projected Mobilization outlays from FY 1988 to FY 1989 reflects the lower Mobilization program executed for ship and aviation items in FY 1987 (none) as compared to the FY 1986 program (\$283.4 million). This resulted in higher FY 1988 expenditures (considering an average two year leadtime for these items).

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Financial Condition (in millions of dollars)

| Identification code 17-4911-0-4-051 | 1985 Act | 1986 Act | 1987 Est | 1988 Est | 1989 Est |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Assets:</u> | | | | | |
| <u>Selected Assets:</u> | | | | | |
| Fund balance with Treasury..... | 1,913,946 | 1,806,583 | 1,146,253 | 991,830 | 964,411 |
| Accounts receivable (net)..... | 126,054 | 60,911 | 60,911 | 67,999 | 68,072 |
| Inventories (net)..... | 29,214,176 | 24,446,628 | 24,999,228 | 25,990,085 | 26,467,323 |
| Other assets..... | 535,859 | 695,699 | 695,699 | 695,699 | 695,699 |
| Total assets..... | <u>31,790,035</u> | <u>27,009,821</u> | <u>26,902,091</u> | <u>27,745,613</u> | <u>28,195,505</u> |
| <u>Liabilities:</u> | | | | | |
| <u>Selected liabilities:</u> | | | | | |
| Accounts payable and accrued | | | | | |
| Liabilities..... | 210,292 | 240,346 | 203,846 | 246,655 | 249,434 |
| Other liabilities..... | 54,270 | 51,808 | 51,808 | 51,808 | 51,808 |
| Total liabilities..... | <u>264,562</u> | <u>292,155</u> | <u>255,655</u> | <u>298,463</u> | <u>301,242</u> |
| <u>Government equity:</u> | | | | | |
| <u>Selected equities:</u> | | | | | |
| Unexpended budget authority: | | | | | |
| Undelivered orders..... | 6,259,685 | 7,667,609 | 7,218,609 | 6,611,166 | 6,543,487 |
| Unfinanced budget authority: | | | | | |
| Unfilled customer orders..... | -1,226,900 | -1,390,661 | -1,565,491 | -1,087,089 | -1,030,035 |
| Contract authority..... | -4,134,189 | -5,615,870 | -5,615,870 | -5,657,172 | -5,657,172 |
| Invested capital..... | <u>30,626,877</u> | <u>26,056,588</u> | <u>26,609,188</u> | <u>27,580,245</u> | <u>28,037,983</u> |
| Total Government equity..... | <u>31,525,474</u> | <u>26,717,666</u> | <u>26,646,436</u> | <u>27,447,150</u> | <u>27,894,263</u> |

Note: FY 1988 and FY 1989 columns reflect the consolidation of the Navy Stock Fund and Marine Corps Stock Fund, previously two separate funds.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Financial Condition (in millions of dollars)

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Identification code 17-4911-0-4-051 | <u>1986 Act</u> | <u>1987 Act</u> | <u>1988 Est</u> | <u>1989 Est</u> |
| <u>Assets:</u> | | | | |
| Analysis of change in Government equity: | | | | |
| Paid in capital | | | | |
| Opening balance..... | 20,125,914 | 19,819,444 | 20,283,606 | 20,697,550 |
| Transactions: | | | | |
| Appropriations..... | 607,213 | 352,570 | 404,400 | 434,581 |
| Net change in capitalized inventory | <u>-913,684</u> | <u>-423,800</u> | <u>9,544</u> | <u>12,532</u> |
| Closing balance..... | <u>19,819,444</u> | <u>19,748,214</u> | <u>20,697,550</u> | <u>21,144,663</u> |
| Retained income: | | | | |
| Opening balance..... | 11,808,123 | 6,898,223 | 6,749,600 | 6,749,600 |
| Transactions: Net operating change | <u>-4,909,900</u> | <u>....</u> | <u>....</u> | <u>....</u> |
| Closing balance..... | <u>6,898,223</u> | <u>6,898,223</u> | <u>6,749,600</u> | <u>6,749,600</u> |
| Total Government equity (end of year)..... | 26,717,666 | 26,646,436 | 27,447,150 | 27,894,263 |

Note: FY 1988 and FY 1989 columns reflect the consolidation of the Navy Stock Fund and Marine Corps Stock Fund, previously two separate funds.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Revenue and Expense (in millions of dollars)

| Identification code 17-4911-0-4-051 | <u>1986 Act</u> | <u>1987 Act</u> | <u>1988 Est</u> | <u>1989 Est</u> |
|-------------------------------------|-------------------|------------------|------------------|------------------|
| Operating change: | | | | |
| Revenue: Sale of goods..... | <u>7,241,258</u> | <u>8,221,700</u> | <u>9,551,817</u> | <u>9,436,160</u> |
| Expense: | | | | |
| Purchase of goods (at cost)..... | 6,885,854 | 7,611,100 | 8,592,727 | 8,276,598 |
| Transportation..... | 31,525 | 53,400 | 61,100 | 61,300 |
| Inventory increase (-) or Decrease | 3,853,864 | -976,400 | -627,010 | -477,238 |
| Other expense..... | <u>1,379,915</u> | <u>1,533,600</u> | <u>1,525,000</u> | <u>1,575,500</u> |
| Total expense..... | <u>12,151,158</u> | <u>8,221,700</u> | <u>9,551,817</u> | <u>9,436,160</u> |
| Net operating changes..... | (4,909,900) | ---- | ---- | ---- |

Note: FY 1988 and FY 1989 columns reflect the consolidation of the Navy Stock Fund and the Marine Corps Stock Fund, previously two separate funds.

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Financial Condition (In Thousands of Dollars)

| | | | |
|--|--------------------|-------------------|-------------------|
| Identification code 17-4911-0-4-051 | <u>1985 Act</u> | <u>1986 Act</u> | <u>1987 Est</u> |
| <u>Assets:</u> | | | |
| <u>Selected Assets:</u> | | | |
| Fund balance with Treasury..... | 60,073 | 52,155 | 31,977 |
| Accounts receivable (net)..... | 26,455 | 14,388 | 9,806 |
| Inventories..... | 377,252 | 371,005 | 363,847 |
| Total Assets..... | 463,780 | 437,548 | 405,630 |
| <u>Liabilities:</u> | | | |
| <u>Selected Liabilities:</u> | | | |
| Accounts payable and accrued liabilities..... | 56,357 | 30,293 | 18,860 |
| Other Liabilities..... | ---- | ---- | ---- |
| Total Liabilities..... | 56,357 | 30,293 | 18,860 |
| <u>Government Equity:</u> | | | |
| <u>Selected Equities:</u> | | | |
| Unexpended budget authority: Undelivered orders..... | 89,039 | 84,588 | 70,094 |
| Unfinanced budget authority: Unfilled customers orders Contract authority..... | -19,924 -38,944 | -7,036 -41,302 | -5,869 -41,302 |
| Invested Capital..... | 377,252 | 371,005 | 363,847 |
| Total Government Equity | 407,423 | 407,255 | 386,770 |

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Analysis of Changes in Government Equity (In Thousands of Dollars)

| | | | |
|---|--------------------|--------------------|----------------------|
| Identification code 17-4913-0-4-051 | <u>1985 Actual</u> | <u>1986 Actual</u> | <u>1987 Estimate</u> |
| Analysis of changes in government equity: | | | |
| Paid-in capital: | | | |
| Opening balance..... | 511,950 | 526,404 | 555,877 |
| Transactions: | | | |
| Appropriation..... | 34,908 | 35,853 | 822 |
| Appropriation transfers..... | ----- | ----- | ----- |
| Net changes in capitalized assets..... | -20,454 | -6,380 | -21,307 |
| Closing balance..... | 526,404 | 555,877 | 535,392 |
| Retained income or deficit (-) | | | |
| Opening balance..... | -162,598 | -118,981 | -148,622 |
| Transactions: | | | |
| Net operating income or loss (-)..... | 43,617 | -29,641 | ----- |
| Closing balance..... | -118,981 | -148,622 | -148,622 |
| Total government Equity (end of year) | 407,423 | 407,255 | 386,770 |

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Revenue and Expense (In Thousands of Dollars)

| | | |
|---------------------------------------|--------------------|----------------------|
| Identification code 17-4913-0-4-051 | <u>1986 Actual</u> | <u>1987 Estimate</u> |
| Operating income: | | |
| <u>Revenue:</u> Sales of Goods..... | 345,894 | 377,314 |
| <u>Expense:</u> | | |
| Purchase of goods (at cost)..... | 369,288 | 384,472 |
| Transportation..... | ---- | ---- |
| Other expenses..... | ---- | ---- |
| Inventory increase (-) or decrease... | 6,247 | -7,158 |
| Total Expense..... | 375,535 | 377,314 |
| Net operating income or loss (-).... | -29,641 | ---- |